

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 292 - SB 922**

April 4, 2019

**SUMMARY OF BILL:** Requires certain tax exempt properties to agree to make payments in lieu of taxes (PILOTs) to the applicable local taxing jurisdiction in an amount no less than 25 percent of the total tax due.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – \$4,600**

**Increase Federal Expenditures – \$8,700**

**Increase Local Revenue – Exceeds \$18,800**

**Assumptions:**

- The proposed legislation would :
  - Apply to properties being used as intermediate care facilities for individuals with intellectual disabilities (ICF/IID) which are currently exempt from property taxes under Tenn. Code Ann. § 67-5-212;
  - Require the applicable local taxing jurisdiction and the property owner to come to an agreement over PILOTs owed. If no agreement can be reached, the PILOT can be no less than 25 percent of the total taxes which would be due if the property were not otherwise exempted;
  - Applies only to properties located within certain counties.
- Based on information provided by the Division of TennCare (Division):
  - A total of 72 Medicaid-funded beds, currently exempt from property taxation, are located within applicable counties;
  - The Division currently pays an average of \$736 in local property taxes per bed to facilities required to remit such taxes.
- If such facilities were not currently exempt from payment of property taxes, the total which would be due from the Division is \$52,992 (72 beds x \$736 each).
- PILOTs will be established in the amount of 25 percent of the property taxes otherwise due.
- The total recurring increase in expenditures to the Division is estimated to be \$13,248 (\$52,992 x 25%).

- Medicaid expenditures receive matching funds at a rate of 65.858 percent federal funds to 34.142 percent state funds.
- The proposed language will result in a recurring increase in state expenditures of \$4,587 ( $\$13,248 \times 34.625\%$ ) and a recurring increase in federal expenditures of \$8,661 ( $\$13,248 \times 65.375\%$ ).
- It is estimated that at least 30 privately-insured beds in facilities located in applicable counties will have rates increased by an amount estimated to be \$736 per bed by the ICF/IID facilities responsible for paying PILOTs.
- The recurring increase in local revenue resulting from PILOTs for privately-insured beds is estimated to exceed \$5,520 ( $\$736 \text{ per bed} \times 30 \text{ beds} \times 25\%$ ).
- The total recurring increase in local government revenue resulting from payment of PILOTs is estimated to exceed \$18,768 ( $\$13,248 + \$5,520$ ).

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jrh